

Is There a Role for Private Insurance in a Medicare-for-All System?

Key Takeaways:

Current Medicare-for-All proposals take very different approaches toward working alongside or eliminating the private insurance market, but represent early stages of policy development

Eliminating the private insurance market would represent a significant overhaul of the current healthcare system and would cause 70 percent of the adult population to lose or change their current health insurance, given that 155 million Americans currently have private employer-sponsored health insurance

A true single-payer system with 100% coverage (no out-of-pocket costs) as described by Sanders' and Jayapal's proposals does not exist in any other healthcare system and is perhaps better described as Medicaid-for-All

Introduction/Background

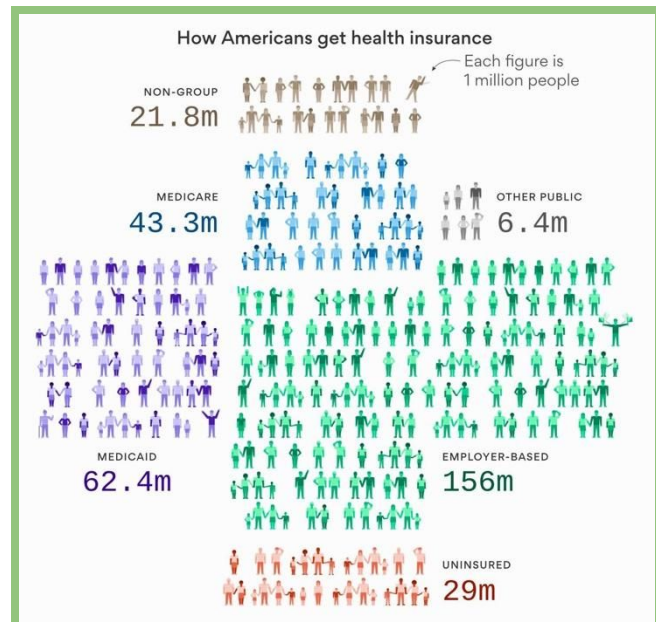
As Medicare-for-All gains popularity, the debate is heating up around what the next wave of post-Affordable Care Act healthcare reform will look like. With eight Medicare-for-All bills introduced in the 115th Congress and five so far in the 116th, the proposals have continued to make headlines as key talking points for Democratic presidential candidates. While most of the bills use the term "Medicare-for-All," likely due to the program's visibility and popularity, they employ different strategies to tackle similar goals of expanding and increasing the affordability of healthcare coverage. One key area of debate and differentiation among the proposals is how a Medicare-for-All system would affect the private health insurance market. Some proposals would eliminate private insurance altogether and suggest moving toward a true single-payer system, while others supplement private insurance with an expanded public coverage option. Putting aside the desirability or political feasibility of these proposals, Medicare-for-All is a starting point to discuss reforms to improve affordability and coverage: 24.7 million non-elderly Americans still lack healthcare insurance.

Clarifying Terms and Proposal Goals

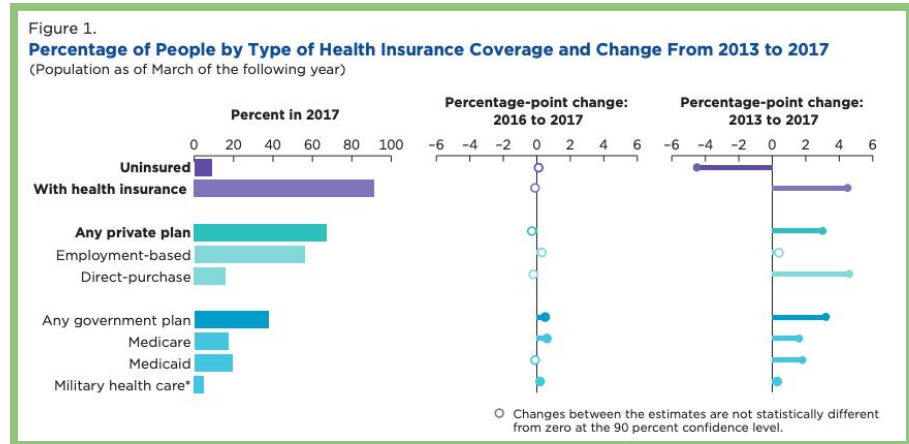
As politicians keep Medicare-for-All in the news cycle, there is rampant confusion about the different terms and goals related to the array of proposals. “Universal coverage” and “single-payer healthcare” are often used interchangeably, yet they have different meanings. Single-payer healthcare describes a government system, likely paid for by taxes, where everyone receives healthcare from a single, government-run payer. Medicare-for-All is a flavor of single-payer healthcare and as described further below, only two of the Medicare-for-All proposals meet this definition by eliminating all private insurance. The other proposals are more accurately described as “Medicare-for-More,” creating a publicly available plan modeled after Medicare or Medicaid. Universal coverage means that everyone receives insurance for healthcare. This can be achieved through a single- or multi-payer system, public or private. Therefore it is a false assumption that those opposed to single-payer healthcare are not committed to universal coverage. Instead, many simply favor alternative approaches to achieve universal coverage that might not look like Medicare-for-All.

Private Health Insurance Market

The current private health insurance market includes 50 percent of Americans who have employer-sponsored health insurance, by far the largest source of insurance in the U.S. In addition, both the federal government and state governments rely upon private insurers to manage the care for beneficiaries enrolled in public programs. A third of Medicare enrollees and two-thirds of Medicaid beneficiaries use private Medicare Advantage and privately managed Medicaid plans, respectively. The healthcare exchange marketplace is another important source of private health insurance for almost 12 million Americans. With sizeable portions of the population enrolled in private health insurance, transitioning these beneficiaries to a



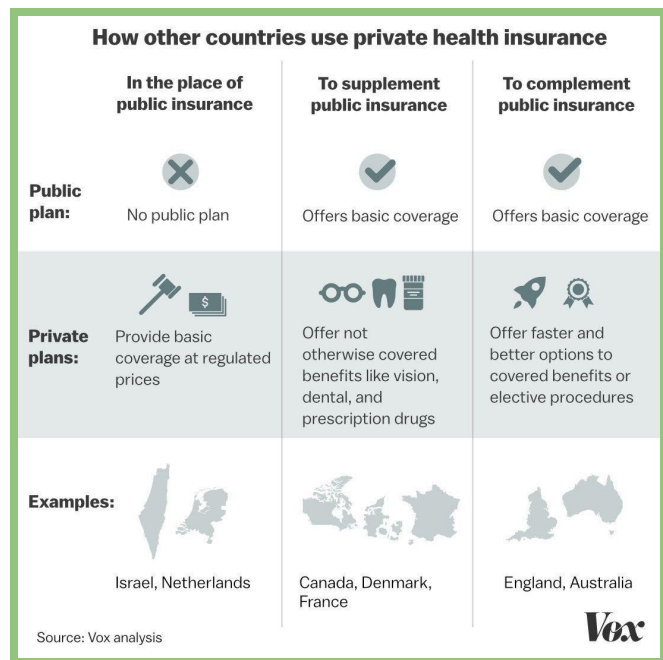
Medicare-for-All system administered solely by the Centers for Medicare and Medicaid Services would require significant changes to the healthcare system, removing the



tremendous role that private insurers play processing medical claims as Medicare Administrative Contractors (MACs). In a healthcare ecosystem completely devoid of private insurers, both as payers and MACs, CMS would presumably need to hire tens of thousands of employees to do this work. Is this truly the best approach? The topic is worth debating.

Single-Payer in Other Countries

While other countries are sometimes lauded for their single-payer healthcare systems, very few are strictly single-payer. Canada, which is often used as a model for a single-payer system, uses six provincial payers with two in three Canadians purchasing additional insurance through the private sector to cover things like prescription drugs, dental, and vision care. Germany's single-payer system is made up of 124 not-for-profit payers that operate on a national exchange, with 10 percent of the population opting out of the public system and using only private insurers and providers. Similarly, Switzerland, with some of



the best healthcare outcomes in the world, has a universal healthcare system where non-profit private insurers provide about 33 percent of health expenditures.

Keeping a Role for Private Insurance

Many of the current Medicare-for-All proposals take an incremental approach, recognizing that eliminating private insurance altogether is too drastic a shift for the U.S. healthcare system. For those who oppose abolishing the private insurance market but are still proposing changes to healthcare policy that involve expanding Medicare or Medicaid, there are several arguments for maintaining a role for private insurers.

Preserving Consumer Choice

President Obama incorrectly assured individuals that if they liked their health insurance they would be able to keep it under the ACA (three million individuals were forced to switch plans under the ACA). Policy-makers are hesitant about any other policy shifts that would force people to change their insurance. Even if switching health insurance is a relatively common event, the negative public backlash from overhauling the entire U.S. insurance system would be massive. Such a change would affect 70 percent of the adult population and would require scrapping the employer-based healthcare system, the exchanges, and privately-managed Medicaid and Medicare plans. CMS Administrator Seema Verma supports retaining choice for consumers through competition from a private insurance marketplace and argues that substantially revising Medicare could harm a program that is beneficial for seniors today [1].

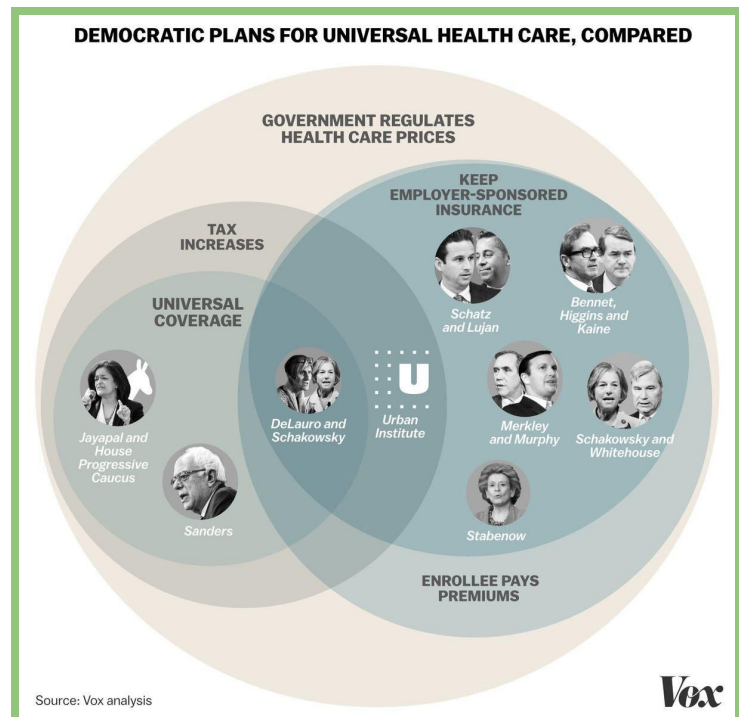
Unprecedented Market Disruption

Proponents of a more incremental approach believe that eliminating private health insurance as an entire industry is an unprecedented move that could be catastrophic: Private health insurance represents at least half a million jobs and about a trillion dollars in annual revenues. While the single-payer Medicare-for-All bills have built-in funding for insurance workers in the form of training, benefits, and income supports, they do not consider the impact on Americans' retirement savings that are commonly invested in mutual funds containing insurance stocks. The proposals have not analyzed the full

economic impact that such a shift would entail and what it would mean for the companies themselves, investors, doctors and hospitals. Perhaps more impactfully, there would be tremendous job loss were private insurance to be eliminated. Presumably, some of this loss would be offset by increased hiring at CMS or other administrative entities, but the process would be immensely disruptive and is a huge political issue. Those who support an expanded Medicaid or Medicare realize that these unknown costs make a single-payer proposal less tenable politically and publicly. There is also skepticism that the federal government could manage an overhaul of the insurance industry within the two to four-year time frames suggested: The launch of Healthcare.gov is a well-documented failure and now is used by only about 3 percent of the population. A move to single-payer represents a federal program that would apply to 330 million Americans, a significantly more daunting undertaking.

Expanded Coverage as Alternative

Of the multiple proposals put forth in the 115th and 116th Congresses, several create a new public plan option that would be based on Medicare or Medicaid and yet retain the option of choice for consumers without eliminating the private insurance industry. This new public option would be offered on the exchanges and available to individuals and some or all employers, covering all ACA essential health benefits (with some additions such as reproductive services) and making the plan eligible for marketplace premium and cost-sharing subsidies for eligible individuals. Under these proposals, all current Medicare providers, including hospitals, physicians, and other providers would be required to participate, thus ensuring broad network coverage. Most importantly, these plans would extend Medicare reimbursement



rates to providers participating in the plan, lowering costs and passing those savings onto consumers. Instead of forcing consumers onto a new plan, the option is made available to individuals and employers and retains the option for employer-sponsored insurance. Two other proposals simply expand Medicare to older individuals (ages 50-64) not currently eligible for Medicare, increasing the reach of Medicare as a buy-in option.

Eliminating Private Insurance

Proponents of a single-payer healthcare system are promoting Medicare-for-All as the policy solution that will solve many of the US healthcare system's issues, including universal access and cost-containment. The proposals from Jayapal and Sanders eliminate private insurance, except for any coverage that was deemed non-duplicative, with all Americans automatically enrolled in an expanded Medicare program administered by CMS. Due to its expanded scope, the new program would replace Medicare after its full rollout.

Comparing 10 Major Health Care Proposals

Proposal	Universal coverage	End employer plans	End indiv. markets	End premiums	End cost sharing
DeLauro/Schakowsky	✓	✗	✗	✗	✗
Schakowsky/Whitehouse	✗	✗	✗	✗	✗
Bernie Sanders	✓	✓	✓	✓	✓
Jayapal/Progressive Caucus	✓	✓	✓	✓	✓
Higgins/Kaine/Bennet	✗	✗	✗	✗	✗
Lujan/Schatz	✗	✗	✗	✗	✗
Merkley/Murphy	✗	✗	✗	✗	✗
Stabenow/Peters	✗	✗	✗	✗	✗
Center for American Progress	✓	✗	✗	✗	✗
Urban Institute Fellows	✗	✗	✗	✗	✗

Cost Containment

Supporters of single-payer via Medicare-for-All believe that an incremental approach of expanding Medicaid slowly to different populations is not going to fundamentally shift the cost curve. The Medicare for All Act of 2017 put forth by Bernie Sanders (S. 1804) would make the federal government the primary payer of healthcare services, giving the government the authority to establish a national fee schedule consistent with Medicare reimbursement rates. With one government entity representing all covered lives in America, the system would have the ultimate negotiating power to set affordable prices

and reduce price variation. Under this system, the bill anticipates paying 40 percent less than current private reimbursement levels and finally achieving the left's desire to set payment rates for drugs. While most of the Democratic proposals include provisions for negotiating drug costs, the single-payer options give the government the most power with which to reduce prices with drug manufacturers.

Proponents of single-payer also point to a huge source of cost-savings that could be achieved through Medicare-for-All: reducing administrative costs. A Commonwealth Fund study in 2011 found that physician practices in the U.S. spend \$83,000 in administrative expenses per physician per year, four times the amount spent by Canadian physicians [8]. By eliminating the time interacting with health plans and payers, the U.S. could save \$27.6 billion if administrative costs were reduced to Canadian levels. Medicare has already proven that it streamlines administration and keeps those costs lower: Private insurers' overhead is about 12.4 percent on average compared to Medicare's 2.2 percent. Reducing overhead to Medicare levels for the entire country represents \$220 billion in annual savings [9]. Doctors support a transition that streamlines administration, is reliable, and provides a clear set of rules and regulations to follow [10].

Conclusion

The Medicare-for-All proposals have received so much attention because Americans generally support proposals to expand public health insurance programs and the rallying cry of universal coverage is hard to deny [11]. The crux of the debate is on how much change can the system really handle and whether eliminating the private insurance industry is necessary to achieve universal healthcare coverage. Most of the Democratic proposals incrementally expand Medicare, either to older, not currently eligible individuals or as a public option plan on the exchanges. Proponents of this approach believe there is still a role for private insurance in order to retain consumer choice and employer-sponsored healthcare. Single-payer supporters believe that one government payer is the only way to achieve significant administrative and provider reimbursement savings while simultaneously ensuring universal coverage. These proposals are unlikely to

move forward in a divided Congress, but the debate about the role of private insurance is pivotal to future healthcare policy decisions.

Discussion Questions

Does the ideal Medicare-for-all system incorporate private insurance? How?

Would CMS be able to develop the capacity to administer Medicare-for-all without support from the private sector?

Were private insurance to be eliminated, what would be the effect of this disruption upon the majority of Americans who currently receive their coverage through the private sector?

Are there other models internationally that we can look to for how to structure a single-payer system with participation from non-governmental payers?

Will proposals to eliminate private insurance be the downfall of the current Medicare-for-all proposals?

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